

HOUSE FINANCE COMMITTEE
April 16, 2018
1:33 p.m.

1:33:28 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Paul Seaton, Sponsor; Peter Fellman, Staff, Senator Click Bishop; Alexei Painter, Analyst, Legislative Finance Division; Ken Alper, Director, Tax Division, Department of Revenue; Sara Race, Director, Permanent Fund, Department of Revenue; Jordan Shilling, Staff, Senator John Coghill; Senator Gary Stevens, Sponsor; Tim Lamkin, Staff, Senator Gary Stevens; Senator Peter Micciche, Sponsor; Rachel Hanke, Staff, Senator Peter Micciche; Carl Uchtyl, President Alaska Association of Harbormasters; Representative Dan Saddler, Sponsor;

PRESENT VIA TELECONFERENCE

Richard Ruggiero, Consultant, In3Energy; Christina Ruggiero, In3Energy, Houston; David Gibbs, EMS Manager,

Fairbanks North Star Borough; Rachel Lord, Alaska Association of Harbormasters and Port Administrators, Homer; Bryan Hawkins, Harbor Master, City of Homer, Homer; Matt Donohoe, Self, Sitka; Rick Gease, Executive Director, Kenai River Sport Fishing Association, Soldatna; Mark Richards, Resident Hunters of Alaska, Fairbanks; Samantha Weinstein, Southeast Alaska Guides Organization, Juneau;

SUMMARY

HB 260 FISH & GAME LICENSES;ELECTRONIC FORM

CSHB 260 (FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1 (DFG).

HB 411 OIL & GAS PRODUCTION TAX;PAYMENTS;CREDITS

HB 411 was HEARD and HELD in committee for further consideration.

CSSB 15 (FIN)

E-CIGS/TOBACCO/NICOTINE & MINORS; SALES

HCSCSSB 15 (L&C) was REPORTED out of committee with a "do pass" recommendation and with two previously published fiscal notes: one zero impact note: FN6 (GOV - Combined); and one fiscal impact note: FN7 (CED).

CSSB 78 (FIN)

PERM FUND DIVIDEND CONTRIBUTIONS/LOTTERY

HCSCSSB 78 (FIN) REPORTED out of committee with four "do pass" recommendations, four "do not pass" recommendations, and three "no recommendation" recommendations and with five new fiscal notes: three fiscal impact notes by the Department of Revenue; one indeterminate fiscal note by the Department of Education and Early Development; and one zero fiscal note by the Department of Law.

CSSB 92 (FIN) am

VESSELS: REGISTRATION/TITLES; DERELICTS

SB 92 was HEARD and HELD in committee for further consideration.

SB 215 ENHANCED 911:MULTI-LINE TELEPHONE SYSTEMS

SB 215 was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1 (CED).

Co-Chair Foster reviewed the meeting agenda. He indicated that the committee would take up the bills from the previous meeting. However, the committee would

#hb411

HOUSE BILL NO. 411

"An Act relating to the oil and gas production tax, tax payments, and credits; and providing for an effective date."

1:34:30 PM

RICHARD RUGGIERO, CONSULTANT, IN3ENERGY (via teleconference), introduced the PowerPoint presentation: "HB411: Tax Bracket Analysis, House Finance, April 16, 2018." (copy on file)

1:35:04 PM

CHRISTINA RUGGIERO, IN3ENERGY, HOUSTON (via teleconference), turned to Slide 3:

INDICATIVE RUNS

HOW TO VIEW THE RESULTS

The following plots showing indicative results from changes to the brackets for HB411 should be viewed to understand the approximate magnitude of any changes as well as the direction (positive or negative) from such changes. The absolute \$ change in state take should not be used as an exact value.

Ms. Ruggiero advanced to Slide 4, "HB 411 IN3ENERGY MODEL":

Per Barrel Model

- Simplistic per barrel model, taking into account key fiscal structure metrics to reflect the direction and magnitude of results
- Can compare the Status Quo tax structure with HB411 (stepped progressivity) and ACES (continuous progressivity)
- The primary inputs assumptions below

are taken from the DOR case presented to HFIN on April 10, 2018

Model Inputs:

Non-GVR Daily Production (mmbbls/d) **526.6**
GVR Daily Production (mmbbls/d) 50
Transport and Shipping (\$/bbl) **8.87**
Transportation & Shipping Multiplier **100%**
Capex (\$/bbl) **9.21 Flat**
Opex (\$/bbl) **14.13 Flat**
Cost Multiplier **100%**
Tax Rate (Status Quo) **35%**
GVR Reduction **20%**
GVR per Barrel Credit (\$/bbl) 5
Royalty **12.50%**
State Corp Income Tax **6.25%**
Federal Corp Income Tax **35% Yes**
Hard Floor **No**

- "Multiplier" fields are used to apply a fixed increase or decrease to costs at all prices
- Capex and Opex can be run either as flat cost values across all prices, or, if selected, then can be varied to move proportionally with price increase and decreases

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Ms. Ruggiero continued to Slide 5, "Key Considerations":

Scenario Analysis Simulating Reality

- In the real world, Capex and Opex values per barrel increase and decrease with oil price
- For the purposes of this model, if cost Variance is selected, then:
 - Price and costs change together
 - Costs are assumed to change at 80% of the change in oil price
(If the prices increases 100% then cost increase 80%)
 - Costs can be further multiplied from the state wide average DOR values to simulate the large legacy fields (multiplier less than 100%) or potential new North Slope fields (multiplier greater than 100%)

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Ms. Ruggiero reviewed Slide 6, "Scenario Analysis Cases":

HB 411 With Varied Costs and Tax Brackets

- There are 4 cases of different tax bracket setups, detailed in the tables below
- Each case has 4 runs labeled A-D
- A: Costs FLAT, Costs at 100%
- B: Costs VARIED, Costs at 100%
- C: Costs VARIED, Costs at 50%
- D: Costs VARIED, Costs at 150%

Ms. Ruggiero explained that the bottom of the slide contained four cases of tax brackets. The first was HB 411 as written, the next three were created with varying tax bases and steps. She noted that cases 2 through 4 were intended to show variability and were not intended as recommendations. She explained that as the presentation went on, cases contained 4 runs labeled a through D.

Ms. Ruggiero presented Slide 8, "Comparison of all case 1 runs" (Ms. Ruggiero clarified a typo in the title should read case 4, and not 1). She highlighted the case 4 brackets and runs A through D: A was the flat price, B was the varied price, C was a 50 percent reduction in cost, and D was a 150 percent increase in cost. She pointed out to the committee that case B reflected that at roughly \$30 per barrel the minimum tax would start; case D showed \$85 dollars per barrel. The same tax brackets could yield varying results under different cost parameters.

Mr. Ruggiero added that at very high prices, depending on cost structure, a significant difference could be seen. He stressed the importance of showing the cost variability.

[1:44:45 PM](#)

Representative Guttenberg asked whether there would be slides that showed the current tax regime as compared to HB 411.

Mr. Ruggiero responded in the affirmative.

Co-Chair Seaton expressed appreciation for the information surrounding variability based on cost.

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Mr. Ruggiero scrolled to Slide 9, "1.A Status Quo v. HB411 as written." The slide contained Department of Revenue inputs, HB 411 brackets, costs flat, and costs 100 percent. The green bars represented the change in state take at varying per barrel prices. The two tables reflected gross value reduction (GVR) and non-GVR numbers.

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Co-Chair Seaton asked Mr. Ruggiero to explain the green bars. He wondered about the effective tax rate.

Mr. Ruggiero replied that the yellow and blue lines were the effective tax rates and were read off the percentages on the left of the table. The green bars were the change in state take and were read off the right scale in millions.

[1:49:28 PM](#)

Mr. Ruggiero detailed Slide 10, "1.B Status Quo v. HB411 as written." The slide contained Department of Revenue inputs, HB 411 brackets, Costs varied, costs 100 percent. He explained that the difference on this slide from Slide 9 was the varied cost with the change in oil price. He pointed out that a lower tax take occurred at higher costs, as represented by the green bars in each table. He stated that the slide reflected the varying the cost using state averages.

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Co-Chair Seaton queried the language "cost varies at 100 percent". He understood that this meant if the price of oil went up 10 percent, then the cost went up 10 percent, and if the price of oil doubled then the costs would double.

Mr. Ruggiero referred to Slide 5. He noted that historically the equation changed the cost 80 percent of the oil price. Starting at a base rate of \$60 per barrel, if the price of oil went up to \$120, a 100 percent increase, costs would increase 80 percent. If oil prices went down to \$30 per barrel, the costs would go down 40 percent. The costs move 80 percent of whatever the movement was in the oil price.

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Ms. Ruggiero added that the label where it said "cost 100 percent" meant that the base case was the same as DOR and where the label at the end of the subtitles on each slide indicating "cost 50 percent" or "cost 100 percent" meant that the base case had decreased by 50 percent or increased to 150 percent.

Co-Chair Seaton understood that in all cases the cost variation was 80 percent of the price change.

Ms. Ruggiero responded in the affirmative.

Representative Ortiz asked about the factors surrounding cost going up as the price per barrel went up.

Mr. Ruggiero responded that that was the way it had always happened. He said that as labor rose with inflation, when oil priced plummeted labor costs decreased. He said that when energy costs rose, things became more expensive. He provided the example that steel became more expensive to make and deliver. He relayed that high prices contributed to long wait times for fracking units to frack shale wells. He related that energy itself played into a lot of the materials needed in the oil patch, when those prices went up it disrupted the supply and demand of services and equipment. This resulted in service prices and the cost of doing business rising with a 3 to 6-month lag, with a 30-day delay when the oil price decreased. He said that these factors were not related to taxes or progressivity.

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Mr. Ruggiero returned to Slide 10. He noted that the table in the upper left represented the standard rates in HB 411. He also pointed to where the non-GVR curve fell widened at the peak. He said that at the upper end the numbers fell beneath the current status quo, resulting in a loss at upper prices.

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Mr. Ruggiero moved to Slide 11: "1C. Status Quo v. HB411 as Written." The slide reflected DOR inputs, HB 411 brackets, costs varied, and costs 50 percent. He explained that the model reflected a dramatic difference at all prices up to \$120 per barrel. He said that the state would see more revenue from HB 411 than from the status quo because of the

lower cost structure. The higher PTV per barrel, starting off at a 25 percent tax, as compared to the 5 or 6 percent under the status quo, would generate additional tax revenue to the state and tax liability to industry.

[1:58:52 PM](#)

Mr. Ruggiero continued to Slide 12: "1D. Status Quo v. HB411 as written." The slide showed DOR inputs, HB 411 brackets, costs varies, and cost 150 percent." He pointed out the \$64 total cost base at the \$63 per barrel price. He said that any price below the \$60 per barrel price, producers were paying the 4 percent gross minimum tax out of pocket. He stated that the crossover point did not occur until \$110 per barrel. At 80 percent of the growth in the oil price, upper tax brackets remained flat until \$140 per barrel. Costs moved up as the price moved up but the PTV did not move as quickly. He said that the additional charts in the presentation (Slides 13 through 24) included the same four charts of cases A, B, C, D, against the different representative sets of brackets. He relayed that when cost was considered in accordance to what was actually happening in the oil patch, the representation of what a specific bill would do was different that what had been observed in the past.

[2:02:31 PM](#)

Representative Grenn asked Mr. Ruggiero whether had been asked to create all the scenarios.

Mr. Ruggiero responded that the models had been generated independently by IN3ENERGY, without any preconceptions and for informational purposed only.

[2:03:31 PM](#)

Co-Chair Seaton also provide an answer to Representative Grenn's earlier question surrounding problems in HB 411 and changes that could be made to appeal to industry. He said that a previous presentation had suggested that the state should tax at a lower rate, at the low end of prices, then increase the percentage take at the higher end. He noted that the models had been requested by the committee for informational purposes.

[2:05:10 PM](#)

Representative Wilson thought industry testifiers had thought the tax was a bad idea. She wondered whether any of the scenarios would entice production.

Mr. Ruggiero responded that some of the scenarios with low base rates could serve to help the economics with earlier cashflow to a new project. He felt that the particulars of each project would need to be examined in order to make that determination.

Representative Wilson asked whether HB 411 contained scenarios that would please industry.

Mr. Ruggiero requested clarification in the question.

Representative Wilson tried again. She relayed that Mr. Ruggiero had stated that a couple of scenarios would incentivize industry. She wondered which scenarios under HB 411 would incentivize industry.

Mr. Ruggiero referred to Slide 6. He pointed to cases 1 through 4 on the bottom half of the slide. He relayed that the first showed HB 411 as it stood, starting with a 25 percent base. He moved to case 3, which he said would potentially generate more income for the operator of a more expensive, new field. He said that case 3 would be more favorable than case 1.

[2:08:14 PM](#)

Representative Wilson asked how 3 compared to the current oil regime.

Co-Chair Seaton directed members to refer to Slide 17.

Mr. Ruggiero added that Slide 18 reflected usable information as well. He said that there were several things that came into play, but if an operator way paying a lower tax rate in the early years of a project, it would benefit the company in the long run.

[2:10:27 PM](#)

Representative Wilson pointed to the blue line on Slides 17 and 18 and surmised that under HB 411 the state would be would be taking more and not less.

Mr. Ruggiero agreed. He referred to Slide 20.

Representative Wilson asked to stay on Slides 17 and 18 and repeated her question.

Mr. Ruggiero thought her original question pertained to the status quo on HB 411, and not the status quo under SB 21. He said that HB 411, relative to the status quo, when the blue line was above the yellow line, and the green bars above zero, HB 411 took more tax than the current tax structure.

2:13:00 PM

Representative Wilson restated her question. She asked how taking more money would incentivize more production.

Mr. Ruggiero replied that the question was rhetorical. He reiterated that the intent of the information he provided had been to show a way do structure things differently to help oil flow down the pipeline. He felt that staring at a 5 percent base was better than starting at a 25 percent base.

Representative Wilson understood he was saying HB 411 was bad and that the scenario on Slide 19 was less bad but that neither incentivized production.

Mr. Ruggiero responded that HB 411, as proposed, would cause a tax increase for industry.

Representative Wilson surmised that the bill would not incentivize production.

Mr. Ruggiero responded, "Likely not."

Representative Ortiz asked for clarification on the acronyms CAPEX and OPEX.

Mr. Ruggiero explained that CAPEX was short for capital expenditures and OPEX was short for operating expenditures. He added that in Alaska system, for petroleum tax purposes, they were treated indifferently in that they both could be expensed and deducted as spent. Other systems operated differently.

Representative Guttenberg asked whether the state built in CAPEX and OPEX or if there were qualifying exams for those expenses.

Mr. Ruggiero replied that Alaska had rules with respect to which costs could be deducted. He said that the first step was to identify whether the cost could be deducted, and the second step was to determine how. Alaska had a series of tests to determine which costs could be deducted and which could not.

Representative Guttenberg asked whether there were any existing regimes that had a tax structure void of a consideration for CAPEX or OPEX.

Mr. Ruggiero responded that anyone that had a gross tax-based system were indifferent to OPEX and CAPEX, a net system always incorporated those expenses.

[2:17:41 PM](#)

Co-Chair Seaton thanked Mr. Ruggiero for the presentation.

Co-Chair Seaton relayed that the amendments to HB 411 were due Thursday, April 19, 2018 at 5:00 PM.

HB 411 was HEARD and HELD in committee for further consideration.

[2:18:50 PM](#)

AT EASE

[2:26:03 PM](#)

RECONVENED

#sb78

CS FOR SENATE BILL NO. 78(FIN)

"An Act creating the education endowment fund and the dividend raffle fund; authorizing donations from the permanent fund dividend for educational purposes and to enter the permanent fund dividend raffle; relating to transfers from the dividend raffle fund and the education endowment fund; relating to the duties of the Department of Revenue; relating to the definition of 'gambling'; and providing for an effective date."

[2:26:13 PM](#)

Co-Chair Seaton invited Mr. Fellman to the table.

[2:26:39 PM](#)

PETER FELLMAN, STAFF, SENATOR CLICK BISHOP, noted that he had no comments.

[2:27:11 PM](#)

Representative Guttenberg announced that he would not be offering Amendment 1.

[2:27:34 PM](#)

Vice-Chair Gara MOVED to ADOPT Amendment 2, 30-LS0534\Y.8 (Martin, 4/12/18) (copy on file):

Page 1, following line 6:

Insert a new bill section to read:

**** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. It is the intent of the legislature that the funds generated by the permanent fund dividend raffle created in this Act be used to supplement and not to supplant state aid provided by the public school funding formula under AS 14.17.410."

Page 1, line 7:

Delete "**Section 1**"

Insert "**Sec. 2**"

Renumber the following bill sections accordingly. 14

Page 5, line 5, following "appropriation":

Insert "; money transferred under this paragraph to the public education fund may be used in addition to the state aid to districts calculated under AS 14.1 7.410(b)(1) "

Page 5, line 31, following "AS 14.17.300.":

Insert "Money transferred under this subsection to the public education fund may be used in addition to the state aid to districts calculated under AS 14.1 7.410(b)(1)."

Representative Wilson OBJECTED for discussion.

Vice-Chair Gara explained the amendment. He said that the intent was that the legislature could supplement education funding with the proceeds.

Representative Wilson expressed appreciation for the amendment.

Representative Wilson WITHDREW her OBJECTION.

Co-Chair Seaton clarified that the amendment was version Y.9.

There being NO OBJECTION, Amendment 2 was ADOPTED.

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AT EASE

[2:32:19 PM](#)

RECONVENED

ALEXEI PAINTER, ANALYST, LEGISLATIVE FINANCE DIVISION, reviewed the fiscal notes. He explained that the fiscal note was under the additional foundation funding allocation under K-12 school districts in the Department of Education and Early Development (DEED) but would impact several areas of the state budget. He furthered that none of the impacts would be felt in FY 19, so the division felt that, rather than creating fiscal notes for allocation that had yet to exist, allocations had been incorporated into one fiscal note. The following items outline the budget actions associated with the legislation. Other than the two Department of Revenue fiscal notes which request (1) \$10.0 GF/PR (Permanent Fund Dividend Division) in FY 19 for programming changes to set up the database; and (2) \$25.0 GF/PR (Tax Division) in FY 19 for program promotion, the remaining budget items would occur in FY 20 or subsequent fiscal years:

- 1. Flow to the Department of Education and Early Development - FY 21**

50 percent of dividend contributions shall be appropriated to the Department of Education and Early Development (using the new Raffle fund code which will be created in FY 20 as grants supplementing the foundation formula.

2. (new) Education Endowment Fund - FY 20

Using the new Raffle fund code, 25 percent of dividend contribution will flow to the new Education Endowment Fund. Eventually, an additional Endowment fund code will need to be created for funding that comes out of the Endowment Fund as overflow payments to the Public Education Fund. There is no fiscal note because there is no money anticipated during the first five years of the program.

3. (new) Dividend Raffle Prize Fund - FY 20

25 percent of the dividend contribution will flow to the Dividend Raffle Fund using the new raffle fund code. There will be a new Prize fund code for management of the Raffle funds plus any overflow to the Education Endowment Fund. Prizes will be paid without further appropriation.

4. Programming costs for DOR/PFD Dividend Division - FY 19

(see DOR/Permanent Fund Division fiscal note) - \$10.0 GF/PR is required in FY 19 for DOR to program their database in time for 2019 PFD applications (which will be paid out in FY 20).

5. Manage endowment - DOR/Taxation and Treasury - FY 20

(see DOR/Treasury Division fiscal note) - The current fiscal note estimates management costs ranging from \$4.4 in FY 20 up to \$26.3 in FY 24. This will be paid for using the new Prize fund code.

[2:36:01 PM](#)

Representative Wilson pointed to the DOR note, OMB component 2476, and DOR note, OMB component 981, which reflected program receipts. She noted that there were no program receipts, and she asked whether the intent had been to show that DOR would provide the funds and then the money would be paid back as the program made money.

Mr. Fellman replied that that was his understanding.

Representative Wilson thought that the department would unlikely have an additional \$35,000 to fund the initial payouts. She surmised that the funds would be undesignated general fund (UGF) dollars initially, which would be returned as designated general funds (DGF).

Mr. Fellman responded that initially, pre-program dollars were supposed to be spent for advertisement. He said that he had pointed out that the language in the fiscal note should be changed.

Representative Wilson directed committee attention to fiscal note OMB # 2476, Page 2:

For FY 19, the Department of Revenue intends to provide \$25,000 in raffle proceeds to the Department of Education and Early Development. DEED will use the funds to inform Alaskans of the existence of the raffle and that a large portion of their ticket purchases goes to directly support education programs.

Mr. Fellman deferred to Mr. Alper to respond. He understood that the appropriation was to cover the first year of advertising.

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KEN ALPER, DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, said that the note had been written to relay that a small fraction of money that came into the fund would be used for marketing. He stated that how to fund that advertising in year 1 had been recently discussed. He related that he did not precisely know how the first year of the program would fund advertising.

Representative Wilson explained that her issue was with the fund code. She expressed curiosity that the intent was that the money be paid back with designated general funds, when no fund currently existed. She understood that the state would be paid back out of the first \$35,000 raised in the fund.

Mr. Painter believed the fiscal note should indicate UGF if there were no DGF to spend. He recommended amending the note.

Representative Wilson wanted additional clarification in the note in the form of intent language.

[2:41:44 PM](#)

Representative Guttenberg referred to the DEED note, OMB component 3112. He asked whether one-fifth of the fund was the total of prizes distributed.

Mr. Fellman replied that the one-fifth represented one-fifth of the money in the fund.

Representative Guttenberg expressed concern that only one-fifth of the total fund went out in prizes.

Mr. Fellman responded that one-fifth was 20 percent. He did not believe the chart attached to the note reflected the current CS. He stated that the other 80 percent would stay in the fund for education. He said that if the fund exceeded \$300 million by a \$1 million, the \$300 million would be where the prizes were drawn from and the additional \$1 million would go directly into the Education Endowment Fund.

Mr. Alper stated that currently the profits of charitable gaming in the state, predominately pull-tabs and bingo, was approximately \$350 million, of which 10 percent passed through to eventual recipients as charitable donation. He said that a great bulk of the difference was distributed in prizes and used to pay costs to operate the games.

[2:45:50 PM](#)

Vice-Chair Gara wondered if it would be proper to meld what Representative Wilson and Mr. Painter stated into a conceptual amendment that clarified intent.

Vice-Chair Gara MOVED to ADOPT Conceptual Amendment 3 to amend fiscal note OMB component 2476, to change the the \$25,000 to UGF, and to state in the analysis that it was the intent of the legislature that the funds be repaid in the future out of raffle proceeds.

Representative Wilson OBJECTED.

Representative Wilson thought the same amendment should be made to fiscal note OMB component 981.

Vice-Chair Gara agreed. He said that he would move a separate amendment for OMB component 981.

Representative Wilson WITHDREW her OBJECTION.

There being NO OBJECTION, Conceptual Amendment 3 was ADOPTED.

Vice-Chair Gara MOVED to ADOPT Conceptual Amendment 4 to amend fiscal note OMB component 9816, to change the \$10,000 to UGF, and to state in the analysis that it was the intent of the legislature that the funds be repaid in the future out of raffle proceeds.

There being NO OBJECTION, it was so ordered.

Representative Kawasaki was uncertain that he would support the bill on the floor but would not stop it from moving forward from committee. He expounded on his reasoning. He expressed concern that non-profits would lose funds from the Pick-Click-Give program.

[2:51:48 PM](#)

Representative Grenn would be objecting to moving the bill from committee. He echoed Representative Kawasaki's concerns that non-profits would lose funding.

Representative Wilson praised the innovative nature of the bill. She thought that it was clear where the money would be distributed. She expressed 100 percent support.

[2:57:19 PM](#)

Representative Guttenberg categorized the legislation as a "gaming bill disguised as educational funding." He thought that the assumptions built into the bill were random and arbitrary. He felt that a more comprehensive analysis of the repercussions of the legislation should be executed. He thought that gambling was disproportionately detrimental to the poor. He expressed opposition to the bill.

[3:00:17 PM](#)

Co-Chair Seaton was in support of the bill. He spoke of suggested tax credits to industry members that made significant contributions to education. He felt that the inducement was more significant than the potential payout. He thought that the supplemental funding would be beneficial to all districts in the state.

[3:02:30 PM](#)

Representative Grenn thought if the bill was about education and not gambling, the proceeds would be given to schools.

[3:02:59 PM](#)

Representative Grenn asked where in the application, on the website, would be the option to purchase the raffle tickets.

SARA RACE, DIRECTOR, PERMANENT FUND, DEPARTMENT OF REVENUE, responded that this was currently unknown but that there was a new application under development that broke out voluntary options for directing funds.

Representative Grenn asked whether the items would be listed on the same page.

Ms. Race replied in the affirmative.

Representative Grenn asked who would oversee advertising.

Ms. Race thought that DOR would advertise in partnership with the Permanent Fund.

[3:04:32 PM](#)

Representative Grenn was uncomfortable with the logistical unknowns.

[3:04:46 PM](#)

Vice-Chair Gara respected the various views of committee members on the bill. He believed that the legislation should be debated on the floor. He supported moving the bill from committee.

[3:07:05 PM](#)

Representative Pruitt supported moving the bill out of committee. He echoed concerns mentioned by other committee members. He felt that the bill should be voted on the floor.

[3:08:29 PM](#)

Representative Ortiz wondered how the raffle option would be clearly separated from the Pick-Click-Give option.

Mr. Fellman felt that the options that were already available. He believed that the option would be clearly delineated on the alienation. He stressed that assumptions were hard to make but that sometimes chances had to be taken.

Ms. Race added if an individual was selecting many options that they wanted to voluntarily give to, making sure that there was a clear understanding of payment priority was a consideration.

Representative Ortiz asked whether it would possible to require clicking a button that took the applicant to a separate donation page for the raffle option.

Ms. Race responded that it was possible and had been considered during the application redesign process.

[3:12:12 PM](#)

Representative Kawasaki wondered about an analysis of the economic repercussion of the lottery money not filtering through the economy by other means or regular spending.

Mr. Fellman responded that many businesses advertise PFD specials. He said that it was hard to tell how people would spend their dividends, but that the money would filter down eventually. He noted that there were already 15 different variations of raffles in the state, generating \$388 million yearly. He could not say whether an evaluation of those fund had been conducted.

Representative Kawasaki cautioned that there could be a negative impact on Pick-Click-Give recipients, as well as less PFD money circulating in the state economy.

Mr. Fellman argued that at least 75 percent would go directly into savings or education. He contended that at least 50 percent of the raffle funds would go back into the economy.

[3:16:22 PM](#)

Co-Chair Seaton MOVED to report HCSCSSB 78(FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

Representative Grenn OBJECTED.

Representative Wilson asked clarifying questions about the fiscal notes.

Co-Chair Foster suggested calling them forthcoming fiscal notes.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Pruitt, Thompson, Tilton, Wilson, Gara, Kawasaki, Foster, Seaton
OPPOSED: Grenn, Guttenberg

The MOTION to report the bill from committee PASSED (9/2).

HCSCSSB 78 (FIN) REPORTED out of committee with four "do pass" recommendations, four "do not pass" recommendations, and three "no recommendation" recommendations and with five new fiscal notes: three fiscal impact notes by the Department of Revenue; one indeterminate fiscal note by the Department of Education and Early Development; and one zero fiscal note by the Department of Law.

[3:18:24 PM](#)

AT EASE

[3:21:15 PM](#)

RECONVENED

#sb215
SENATE BILL NO. 215

"An Act relating to multi-line telephone systems."

[3:21:31 PM](#)

Co-Chair Seaton noted that the committee had been in the middle of consideration on Amendment 1 during at the end of the morning meeting.

Representative Tilton MOVED to ADOPT Amendment 1, 30-LS1455\D.1 (Nauman, 4/11/18) (copy on file).

Representative Kawasaki OBJECTED for discussion.

Representative Tilton addressed the amendment. She WITHDREW Amendment 1.

[3:24:10 PM](#)

Representative Wilson asked about the multi-line telephone system. She explained her understanding.

Representative Grenn deferred to staff for the definition.

JORDAN SHILLING, STAFF, SENATOR JOHN COGHILL, explained that multi-lines telephone lines were defined of Page 4 of the legislation.

[3:27:17 PM](#)

DAVID GIBBS, EMS MANAGER, FAIRBANKS NORTH STAR BOROUGH (via teleconference), clarified that the type of telephone line that Representative Wilson was referring to was called "Key" telephone systems that would not require additional costs to small businesses.

Representative Wilson asked if upgrades to a Key telephone system would fall under new requirements.

Mr. Gibbs responded that the only system that would result in addition expense to small business would be the PBX system, which would require the purchase of a system telephone switch and was generally reserved for very large corporations.

Co-Chair Seaton clarified what the committee was trying to establish a definition for "multi-line phone system". He

asked if one phone, with two lines, was considered a multi-line phone system.

3:30:03 PM

Mr. Gibbs answered that a business with a two-phone line system would be so small that the location associated with either line would be accurate; ensuring that correct address information was provided when signing up for service would not cause additional cost.

Representative Thompson understood that if he called 911 from his office in the Capitol, the call would be identified as coming from room 500 in the building; however, if the building had a switchboard system (one number for all offices) the physical address of where the call was coming from would be undetermined.

3:31:39 PM

Mr. Gibbs responded that regarding the switchboard, essentially a key telephone system, would need to be updated to reflect the location of the call.

3:32:41 PM

Representative Wilson maintained confusion about the definitions of the various systems.

3:33:31 PM

Vice-Chair Gara reviewed the previously published fiscal note #1 from the Department of Commerce and Community Development.

Representative Wilson spoke to Page 2 of the note:

The bill mandates that an operator of a multi-line system that does not allow for direct 911 dialing and is not required by ordinance to install enhances 911, posts a prominent notice instructing callers how to reach 911.

She wondered how many businesses would be affected by the mandate and how the post-able notices would be distributed. Mr. Schilling relayed that the structure of the notifications was in the bill on Page 4, line 4:

(d) The operator of a multi-line telephone system that is not required by ordinance to comply with this section and that does not allow for direct 911 dialing shall post, in a visible place not more than five feet from each telephone that is connected to the multi-line telephone system, a notice that

(1) states that 911 services cannot be accessed by dialing 911 directly on the telephone;

(2) indicates how a caller may access 911 services through the telephone;

(3) is printed in contrasting colors in a bold font not smaller than 16 points;

(4) includes the following information, as applicable, about the location of the telephone:

(A) the street address and business name;

(B) the office, unit, or building number;

(C) the room number or equivalent designation.

[3:35:24 PM](#)

Representative Wilson understood that businesses would be responsible for creating and posting the signage.

Mr. Shilling replied in the affirmative.

[3:35:51 PM](#)

Vice-Chair Gara MOVED to report SB 215 out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

SB 215 was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1 (CED).

[3:36:49 PM](#)

AT EASE

[3:38:22 PM](#)

RECONVENED

#sb15

CS FOR SENATE BILL NO. 15 (FIN)

"An Act relating to possession of an electronic smoking product or a product containing nicotine by a minor and to selling or giving a product containing nicotine or an electronic smoking product to a minor; relating to business license endorsements to sell cigarettes, cigars, tobacco, products containing tobacco, electronic smoking products, or products containing nicotine; and relating to citations for certain offenses concerning tobacco, products containing nicotine, or electronic smoking products."

[3:38:35 PM](#)

SENATOR GARY STEVENS, SPONSOR, introduced himself.

TIM LAMKIN, STAFF, SENATOR GARY STEVENS, introduced himself.

Senator Stevens explained that more young Alaskans were becoming addicted to smoking due, in part, to electronic cigarettes (e-cigarettes).

[3:40:28 PM](#)

AT EASE

[3:43:48 PM](#)

RECONVENED

Representative Wilson MOVED to ADOPT Amendment 1.

Page 5, lines 13-14:

Delete "or any other substance intended for human consumption"

Page 5, lines 23-24:

Delete "chemical substances that may cause an adverse effect on human health"

Insert "nicotine"

Representative Grenn OBJECTED.

Representative Wilson explained the amendment. She said that the intent was to exclude products that did not contain nicotine.

Representative Wilson WITHDREW Amendment 1.

Vice-Chair Gara reviewed the fiscal notes for SB 15.

[3:46:43 PM](#)

Vice-Chair Gara MOVED to report HCSCSSB 15 (L&C) out of Committee with individual recommendations and the accompanying fiscal notes.

Representative Wilson OBJECTED.

[3:47:58 PM](#)

AT EASE

[3:48:17 PM](#)

RECONVENED

A roll call vote was taken on the motion.

IN FAVOR: Pruitt, Thompson, Tilton, Gara, Grenn,
Guttenberg, Seaton
OPPOSED: Wilson

Representative Kawasaki, Representative Ortiz, and Representative Foster were absent from the vote.

The MOTION to report HCSCSSB 15 (L&C) PASSED(7/1).

HCSSB 15 (L&C) was REPORTED out of committee with a "do pass" recommendation and with two previously published fiscal notes: one zero impact note: FN6 (GOV - Combined); and one fiscal impact note: FN7 (CED).

[3:49:14 PM](#)

AT EASE

[3:52:35 PM](#)

RECONVENED

#sb92

CS FOR SENATE BILL NO. 92(FIN) am

"An Act relating to abandoned and derelict vessels; relating to the registration of vessels; relating to certificates of title for vessels; relating to the duties of the Department of Administration; relating to the duties of the Department of Natural Resources; establishing the derelict vessel prevention program;

establishing the derelict vessel prevention program fund; relating to the authority of certain persons to enforce laws relating to derelict vessels; and providing for an effective date."

Co-Chair Foster relayed the legislation had been heard on March 28th. He said that the meeting would offer a reintroduction of the legislation, including reopening public testimony.

[3:53:10 PM](#)

SENATOR PETER MICCICHE, SPONSOR, relayed that the bill was about personal responsibility. He stressed that the bill was unrelated to property taxes. He quoted the Sponsor Statement:

A report titled Trends and Opportunities in the Alaska Maritime Industrial Support Sector (2014) noted "By 2025, the Alaska fleet will include roughly 3,100 vessels between 28' and 59' that are more than 45 years old..."

He shared that he personally owned 6 vessels, one of which was aging. He lamented that abandoned boats could be a danger to other vessels. He said that the bill provided an avenue for the state or municipalities to remove the derelict vessels from the water before they sink. He said that the management of the vessels early will save the state money.

[3:56:17 PM](#)

RACHEL HANKE, STAFF, SENATOR PETER MICCICHE, reviewed the changes in the committee substitute. She said that Section 4 exempted vessels 24 feet and under and created a mechanism for lack of adequate proof of ownership. The increase in registration fees had been removed. Section 6 reflected the removal of an increase in registration fees. She said that the original definition of "barge" had been retained in Section 7. Article 3, in existing AS 30.30, which dealt with vessels abandoned on the business premises of persons engaged in a repair business, had been repealed.

RACHEL LORD, ALASKA ASSOCIATION OF HARBORMASTERS AND PORT ADMINISTRATORS, HOMER (via teleconference), expressed

support for the legislation. She revealed that she was available for questions.

Representative Wilson requested clarification on which boats would be charged registration fees.

Senator Micciche responded that there was no change in the current bill for a vessel that was 24 feet or under, except at the choice of the owner. He said that a documented vessel (minimum of 5 gross tons and above) would increase in registration fee cost by \$8, per year. Undocumented vessels above 24 feet would see an increase of a one-time titling fee.

[3:59:59 PM](#)

Representative Wilson asked whether all boating fees would go into the fund.

Ms. Hanke responded that the barge registration fee, boat title, and duplicate boat title fees, would be distributed in the program fund.

Representative Wilson asked about the fees non-commercial vessels under 24 feet. She wondered where those registration fees were allocated.

Ms. Ranke relayed that all titling and fees would go to the derelict vessel program fund.

Representative Wilson asked whether funds would be diverted from the Kids Don't Float program.

Ms. Hanke stated that the bill would not affect the fund for boater safety programs.

Representative Wilson expressed confusion.

Ms. Hanke explained that the registration fees were separate from the title fees. Title fees would go to the program.

[4:02:03 PM](#)

Co-Chair Seaton queried the difference in the definition of "barge" and the term "flat-bottomed" as the descriptor. He

wondered about vessels that had had their engines removed and were now barges for all intents and purposes.

Senator Micciche deferred to Rachel Lord.

[4:03:26 PM](#)

Ms. Lord reported that the definition had been an ongoing issue. She relayed that task force discussions had highlighted a significant number of abandoned barges. She thought the definition had been intended to capture the barge fleet that was not currently captured under registration provisions.

Co-Chair Seaton asked about the no title mechanism for harbor master work.

Ms. Lord replied that the titling provisions introduced under the bill were valuable as another piece in defining ownership. She thought that concerns had not been raised about the mechanism.

Senator Micciche responded that the intent had been to avoid any bonding issues.

Co-Chair Seaton asked whether the sponsor had any concerns about a person registering a vessel without applying for a title.

Senator Micciche thought that the issue would resolve itself.

[4:08:59 PM](#)

Co-Chair Foster OPENED public testimony.

CARL UCHYTIL, PRESIDENT ALASKA ASSOCIATION OF HARBORMASTERS, testified on behalf of the 43 harbors in Alaska. He offered support for the legislation.

Co-Chair Seaton asked Mr. Uchytel whether he had any suggestions regarding the definition of a barge.

Mr. Uchytel deferred to Ms. Lord. He did not have a solution to a description of a barge.

[4:12:04 PM](#)

Co-Chair Seaton asked whether harbormasters had a position on the repeal of Article 3.

Mr. Uchytel indicated that the harbormasters did not have a stance on the issue.

[4:12:56 PM](#)

BRYAN HAWKINS, HARBOR MASTER, CITY OF HOMER, HOMER (via teleconference), reported he the vice president of the Alaska Association of Harbormasters. He voiced support for the legislation.

[4:13:51 PM](#)

MATT DONOHOE, SELF, SITKA (via teleconference), expressed dissatisfaction with some portion of the bill on Page 2, lines 28-29. He reported not being able to be in the harbor in Sitka without boat registration or a documented vessel. He asked why the state would not recognize the documentation from the United States Government but would recognize a documented foreign vessel. Next, he mentioned language on Page 3. He was unclear about the meaning of "operated". Vessels are not always operating when sitting on the dock. He noted that fishermen would be unhappy about duplication requirements.

[4:18:36 PM](#)

Co-Chair Foster CLOSED public testimony.

[4:18:48 PM](#)

Representative Wilson asked the sponsor to respond to the testifier's questions.

[4:19:07 PM](#)

Senator Micciche explained if a vessel was documented then it had to be registered in order to establish ownership. The registration system would contain a record of ownership. He stated that Line 18 of the bill was already in existing law.

Representative Wilson asked whether there was duplication of registration and titling efforts in the legislation.

Senator Micciche replied no. He believed that identifying ownership and dealing with derelict vessels in a timely manner would be of benefit to the state.

Co-Chair Seaton asked about the elimination of Article 3.

Ms. Hanke responded that Article 3 had been repealed because when the legislation was crafted it had been intended for use by the state and municipalities. she deferred to Ms. Lord.

[4:23:41 PM](#)

Ms. Lord explained that Article 3 had implied that a private business was held to similar legal standards as a public entity, which was not the case, and had led the taskforce to determine that the removal was justified.

Co-Chair Seaton commented that private businesses had voiced concern that not having a statutory mechanism made the legalities vague.

Ms. Lord added that the Harbormasters Association had been a member of the taskforce that crafted the legislation and that the sitting members on the force had been from state and federal agencies, local municipalities, as well as tribal representation.

[4:26:57 PM](#)

Representative Guttenberg asked for the definition of "water of the state".

Senator Micciche thought it was anywhere within 3 miles of mean highwater. He thought that "state waters" could be anywhere that a derelict vessel could become a problem.

Representative Guttenberg thought that all rivers outside of saltwater would be exempt from the legislation.

Senator Micciche responded that all rivers would be included in the legislation. He added that "Steamboat Slew" was the number one freshwater target for the bill.

Co-Chair Foster set the amendment deadline for 5 pm, Tuesday, April 17, 2018.

Representative Thompson expressed concern that the bill might not make it through the legislative process in 2018.

Co-Chair Foster reported that Co-Chair Seaton was willing to move the deadline for amendments to tomorrow morning in order to expedite the process.

SB 92 was HEARD and HELD in committee for further consideration.

#hb260

HOUSE BILL NO. 260

"An Act relating to electronic possession of certain licenses, tags, and identification cards issued by the Department of Fish and Game; and providing for an effective date."

[4:31:12 PM](#)

REPRESENTATIVE DAN SADDLER, SPONSOR, read the sponsor statement:

Smart phones have become an indispensable part of modern Alaska life. They provide users with inexpensive, convenient and reliable information and services, including communications, navigation, scheduling, research, photography, and entertainment. There is almost no aspect of life that smartphones don't make easier and better.

HB 260 seeks to leverage modern communications technology to enhance the timeless pleasures of traditional Alaskan activities of hunting, fishing, and trapping, by allowing state licenses for these activities to be displayed on digital devices, as well as in paper form. In addition, it seeks to provide a peace officer examining an electronic device displaying a license with immunity from liability for damage to the device resulting from the inspection.

State law currently requires outdoorsmen and women to carry paper licenses while enjoying licensed activities. But as anyone who's ever tumbled into a stream while landing a king salmon or sat in the rain in a duck blind knows, paper licenses can be damaged or lost at the worst possible time. And while a person

might misplace their wallet, their smartphone is almost always within arm's reach. But for those circumstances when a person fails to have a license in actual possession, HB 260 turns the citation issued by a peace officer into a "fix-it ticket," whereby a person can nullify any violation for failure to have a license in actual possession, by presenting a valid license within 30 days.

Alaskans have been authorized since 2013 to display secure proof of insurance on a digital device, and the benefits of extending that capability to outdoors recreational licenses are clear. They would:

- Make it easier and more convenient for hunters, fishers and trappers to obtain and carry required licenses
- Help entice new participants in these activities, by lowering one barrier to entry
- Make Alaska a more attractive tourist destination by making it easier for visitors to get licenses
- Improve compliance with state fish and wildlife management laws, by making it easier for enforcement officials to verify users are legal
- Save money for the state and private license vendors, by reducing or eliminating printing costs
- Enhance licensing security with harder-to-counterfeit digital licenses

HB 260 also lays the foundation for smartphone-based "apps" that will eventually let ADF&G deliver timely information on local regulations, opening dates and times, and hazards to users; while letting outdoorsman reciprocate by sending back real-time data on harvest effort and success. Until then, the advantages of digital licenses are significant enough to warrant swift passage of HB 260.

[4:34:51 PM](#)

Co-Chair Foster relayed the list of available testifiers online.

[4:35:22 PM](#)

Co-Chair Foster OPENED public testimony.

[4:35:53 PM](#)

RICK GEASE, EXECUTIVE DIRECTOR, KENAI RIVER SPORT FISHING ASSOCIATION, SOLDATNA (via teleconference), relayed that the Kenai River Sport Fishing Association fully supported HB 260. He thought it was consistent with being able to make application online. He suggested incorporating an electronic harvest card in the future.

[4:37:17 PM](#)

Co-Chair Seaton asked how the fisheries or hunts that required recording of catch would be designed for use on a phone.

Mr. Gease responded that if an electronic harvest card that allowed anglers to report on their phones while in the field were authorized now, the department could develop the application.

Representative Saddler offered that currently capture was recorded on the back of the paper license. He said that under the legislation a form would need to be printed and filled out to record the capture of king salmon. However, the Board of Fish had recently decided that regulation would be changed so that a record of harvest of a specifically managed species would not have to be written in ink. He thought it was the next obvious step.

[4:40:05 PM](#)

MARK RICHARDS, RESIDENT HUNTERS OF ALASKA, FAIRBANKS (via teleconference), fully supported HB 260. He told a story of one of the members of Resident Hunters of Alaska. He thought the bill was a great idea. He believed the department and the Alaska State Troopers would support it also.

[4:41:18 PM](#)

SAMANTHA WEINSTEIN, SOUTHEAST ALASKA GUIDES ORGANIZATION, JUNEAU (via teleconference), spoke in support of the legislation. She read a prepared statement (copy on file).

[4:42:34 PM](#)

Co-Chair Foster CLOSED public testimony.

[4:43:39 PM](#)

Representative Pruitt MOVED to ADOPT Conceptual Amendment 1:

Page 2, Line 8

Delete "any"

Following "device":

Insert ", except that a peace officer may be liable for civil damages that are the result of the peace officer's intentional misconduct"

Representative Wilson OBJECTED for the purpose of discussion.

Representative Pruitt explained the amendment.

There being NO OBJECTION, it was so ordered.

Representative Wilson MOVED to ADOPT Conceptual Amendment 2:

Page 2, Line 2

Delete "in"

Following "produces"

Insert ", to an office of the arresting or citing agency, not later than 90 days after the issuance of the citation, a license previously issued to the person that was valid at the time of the offense."

Representative Pruitt OBJECTED for the purpose of discussion.

Representative Wilson explained the amendment.

Representative Pruitt WITHDREW his OBJECTION.

There being NO OBJECTION, it was so ordered.

Vice-Chair Gara reviewed the fiscal note.

[4:49:04 PM](#)

Co-Chair Seaton MOVED to report CSHB 260 (FIN) out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

CSHB 260 (FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1 (DFG).

Co-Chair Foster discussed housekeeping.

ADJOURNMENT

[4:52:31 PM](#)

The meeting was adjourned at 4:52 p.m.